

**CLARK COUNTY, WASHINGTON**  
**January 1, 1992 Through December 31, 1992**

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**Schedule Of Findings**

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1. The Community Development Department Should Improve Accounting And Fiscal Management Controls Over Drainage Funds

Our review of stormwater drainage funds revealed the following:

a. Receipt of developer contributions

(1) The same individuals receipt drainage contributions, prepare the deposit, and deposit the funds with the county treasurer. This allows those individuals too much control over key aspects of a transaction, increasing the risk of errors or abuse.

(2) They do not always issue receipts to developers. When they do issue receipts, they use easily obtainable "rediform" receipts and do not issue them in numerical sequence. Rediform receipts are not official county forms.

(3) They do not deposit all receipts intact (i.e. the exact amount and composition of checks and cash received), do not reconcile deposits to receipts or cash register tapes, and do not deposit timely.

(4) They do not record all the receipts from contributions in developer files, making it difficult to track the drainage contributions to specific projects.

Individually, each of these conditions is a significant weakness, collectively their effect is magnified.

We found no indication that money was missing, however, we were unable to determine with certainty that the correct amount of revenue was collected or properly deposited.

RCW 43.09.200 requires:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public . . .

The accounts shall show the receipt, use, and disposition of all public property . . . all receipts, vouchers, and other documents kept . . . necessary to isolate and prove the validity of every transaction . . . .

These conditions occurred because departmental management failed to review and monitor collections and deposits of drainage funds.

b. Fiscal management of drainage funds

The drainage funds received revenues comprised of developer contributions, state grants, and real estate excise taxes over several years. These revenues were intended solely for capital purposes. The department used at least \$347,126 for noncapital purposes. Because the revenues were mingled in a common fund, we were not able to identify the noncapital expenditures with a specific capital revenue source. We also found \$45,135 in contributions to the Salmon Creek Basin Fund improperly deposited into the Burnt Bridge Creek Fund.

Agreements between Clark County and developers state:

. . . contributions shall be used by the County to perform design and construction engineering, needed surveys, acquire drainage easements or real property or to construct drainage improvements . . . to partially mitigate the impact of stormwater from the developer's project.

The board of commissioners budgeted the real estate excise tax for capital purposes.

Management did not reserve these funds in order to restrict their use to capital outlay.

When the receipting and accounting process is not conducted in accordance with laws and regulations, or good internal control procedures, county and developer funds are exposed to potential loss, misuse or abuse.

We recommend the county commissioners:

- a. Establish internal controls over drainage funds that will ensure all funds are properly receipted, reconciled, and deposited.
- b. Establish and fund a reserve account of \$347,126 for the drainage revenues restricted but not used for capital purposes.

2. The County Should Strengthen Fiscal Control Over Its Public Works Department

Without the board of commissioners' authorization, the finance director for the Public Works Department made numerous interfund loans totalling several million dollars between the various funds of that department. Furthermore, we found only one instance where interest on the loans was imputed or paid as required.

RCW 43.09.210 prohibits one fund from benefiting in any financial manner at the expense of another fund.

The Washington State *Budgeting, Accounting and Reporting System (BARS)* manual, Part 3, Chapter 4 states in part:

The minimum acceptable procedures for making and accounting for interfund loans are as follows:

1) The legislative body of a municipality must, by ordinance or resolution, approve all interfund loans, and provide in the authorization a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest . . . to be paid to the lending fund . . .

5) Only that portion of a given fund which, in the prudent management of municipal finances, is clearly inactive or in excess of current needs may be loaned to other municipal funds or invested.

The public works finance director considered the interfund loans as routine accounting transactions and did not believe he needed the board of commissioners' approval to make the loans.

By not complying with interfund loan guidelines, some county funds benefited at the expense of another in violation of RCW 43.09.210.

We recommend the county strengthen fiscal control over the public works department by monitoring its compliance with established guidelines regarding interfund loans, including board approval and payment of interest.

3. The County Should Comply With Federal Requirements Governing The Bonneville Power Administration (BPA) Grant

The Northwest Energy Code Program (NWECP), funded by BPA under grant contract #DE-FC79-90BP10047, allows for flat rate reimbursements for each home the county certifies which meets energy code requirements. During 1992, the county requested and received reimbursement for more certificates than it issued. As a result, the county received \$20,810 from BPA for services not performed.

County personnel responsible for the administration of the program did not reconcile the number of certificates claimed on the reimbursement requests to the certificates actually issued, and so did not detect the error.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State and Local Governments*, Attachment A, C., Basic Guidelines, 1., requires that for costs to be allowable under a program, the costs must be necessary and reasonable for efficient administration of the program charged.

We recommend the county require staff to reconcile the number of certificates claimed to the certificates issued, to help ensure compliance with federal requirements. We also recommend that the county refund \$20,810 to the Bonneville Power Administration.